



Senate

General Assembly

File No. 277

February Session, 2008

Substitute Senate Bill No. 587

Senate, March 31, 2008

The Committee on Energy and Technology reported through SEN. FONFARA, J. of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING ELECTRIC AND GAS CONSERVATION INCENTIVES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 16-19tt of the 2008 supplement to the general
2 statutes is repealed and the following is substituted in lieu thereof
3 (*Effective from passage*):

4 [In any rate case initiated on and after June 4, 2007] On or before
5 December 31, 2008, the Department of Public Utility Control shall
6 order the state's gas and electric distribution companies to decouple
7 distribution revenues fully from the volume of natural gas or
8 electricity sales through [any of the following strategies, singly or in
9 combination: (1) A] a mechanism that adjusts actual distribution
10 revenues to [allowed] the distribution revenues [, (2) rate design
11 changes that increase the amount of revenue recovered through fixed
12 distribution charges, or (3) a sales adjustment clause, rate design
13 changes that increase the amount of revenue recovered through fixed

14 distribution charges, or both. In making its determination on this
15 matter, the department shall consider the impact of decoupling on the
16 gas or electric distribution company's return on equity and make
17 necessary adjustments thereto] allowed in the company's most recent
18 rate case. The adjustment mechanism shall be based either on total
19 distribution revenues or on distribution revenues per customer and
20 shall be fully effective for the period beginning January 1, 2009.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	16-19tt
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ET *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

This bill requires the Department of Public Utility Control (DPUC) to order electric and gas companies to fully decouple the distribution revenues and sales using a modified form of a previous mechanism. There is no associated fiscal impact with this bill.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**sSB 587*****AN ACT CONCERNING ELECTRIC AND GAS CONSERVATION INCENTIVES.*****SUMMARY:**

This bill modifies how and when the Department of Public Utility Control (DPUC) must order electric and gas companies to decouple their distribution revenue from the volume of electricity and gas they sell. Under current law, in any electric or gas rate case started on or after June 4, 2007, DPUC must order the affected company to decouple its distribution revenue from its sales using any combination of a variety of mechanisms. The mechanisms (1) adjust actual distribution revenue to the DPUC-allowed revenue level or (2) change the company's rate design to increase the amount recovered through fixed distribution charges. Alternatively, DPUC can adopt a sales adjustment clause, rate design changes that increase the amount recovered through fixed distribution charges, or both. In making its decision, DPUC must consider the impact of decoupling on the company's return on equity and make adjustments for this factor.

The bill instead requires DPUC to order the companies to fully decouple the distribution revenue and sales by December 31, 2008 using a modified form of the first mechanism. The mechanism must adjust actual distribution revenue to the revenue allowed in the company's most recent rate case. It requires that this adjustment be based on either total distribution revenue or distribution revenue per customer. It eliminates the mandate to consider the impact of the mechanism on the company's return on equity. The mechanism must be fully effective stating January 1, 2009.

EFFECTIVE DATE: Upon passage

BACKGROUND***Related DPUC Decision***

In docket 05-10-03RE03, DPUC initially ordered Connecticut Light & Power to recover more of its costs through its fixed customer services charge as a way to decouple earnings from sales and encourage the company to encourage additional conservation and energy efficiency among its customers (DPUC conducted this proceeding to implement parts of Public Act 05-01, June Special Session.) The Office of Consumer Counsel appealed this decision, and DPUC subsequently held that the policy issue of increasing recovery of distribution revenue through fixed charges should be addressed in a rate case and rescinded that part of the decision.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute

Yea 22 Nay 0 (03/11/2008)